

Message Text

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ACTION IO-14

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DODE-00 PM-07 H-03 INR-11 L-03 NSAE-00 NSC-07 PA-04

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SUBJ: UNFINANCES - WORKING GROUP ON CURRENCY INSTABILITY

REF: STATE 196799

SUMMARY: WORKING GROUP ON CURRENCY INSTABILITY COMPLETED FIRST REVIEW OF DRAFT REPORT DURING SIX TEDIOUS MEETINGS SEPTEMBER 9 THROUGH 11. REVISIONS MADE TO SECRETARIAT DRAFT FURTHER WEAKENED IT AS USEFUL DOCUMENT TO UNGA AND BASENCE OF CONCLUSIONS OF EVEN MOST INNOCENT CHARACTER SUGGESTS THAT CHANGES OF ANY SORT IN HANDLING OF UN FINANCES ARE INDEFENSIBLE. END SUMMARY

1. 13 MEMBER WORKING GROUP ON CURRENCY INSTABILITY (WITH PRC AGAIN ABSENT) DEVOTED LONG HOURS OVER THREE DAY PERIOD TO STUDY AND REDRAFTING OF SECRETARIAT PAPER TRANSMITTED DEPT. BY USUN A-100. IN CONSIDERATION OF PAPER WE ATTEMPTED TO RETAIN AS MUCH OF TEXT AS POSSIBLE, WHILE CUBANS SOUGHT TO INJECT THEIR OWN IDEAS (E.G. UNIT OF ACCOUNT TIED TO GOLD) AND SOVIETS PUSHED THEIR FAVORED THEME OF ASSIGNING RESPONSIBILITY FOR CURRENCY INSTABILITY AND INFLATION TO CERTAIN DEVELOPED COUNTRIES OR ALTERNATIVELY

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HAVING HOST COUNTRY BEAR ADDED COSTS.

2. SECRETARIAT HAS BEEN DIRECTED BY WG TO PREPARE REVISED DRAFT WHICH WILL AGAIN BE REVIEWED SEPT 19 AND 20. AS RESULT OF MANY CHANGES SUGGESTED, TEXT HAS BECOME VITRUALY USELESS TO UNGA SINCE IT CONTAINS NO CONCLUSIONS AND SUGGESTS THAT WG COULD NOT AGREE ON EVEN MOST INNOCUOUS STATEMENTS. NEVERTHELESS, WE BELIEVE THAT DRAFT WHICH WILL COME UP FOR FINAL APPROVAL NEXT WEEK IS SATISFACTORY FROM US POINT OF VIEW SINCE IN THE ABSENCE OF ANY APPARENT AGREEMENT ONLY CONCLUSION WHICH CAN BE DRAWN WITH ANY LOGIC IS THAT CURRENT PROCEDURES ARE ONLY ONES WHICH ARE WORKABLE AND WHICH CAN BE JUSTIFIED.

3. HIGHLIGHTS OF MEETINGS AND OF CHANGES IN REPORT ARE AS FOLLOWS:

A. EXTREME SOVIET AND CUBAN POSITIONS WERE EASILY RECOGNIZED AS PROPAGANDA EXERCISES BY MOST MEMBERS AND IN ALL CASES IN REPORT WERE CLEARLY IDENTIFIED AS REPRESENTING ONLY MINORITY VIEWPOINT. KENYAN REP (KITI) IN PARTICULAR EXCORIATED SOVIET REP (PALAMARCHUK) FOR HIS POSITIONS.

B. LANGUAGE OPPOSING SOVIET AND CUBAN POSITION WHICH WOULD ASSIGN RESPONSIBILITY FOR INFLATION AND CURRENCY INSTABILITY TO HOST COUNTRY AND/OR CERTAIN DEVELOPED COUNTRIES WAS STRENGTHENED WITH ADDITIONAL ARGUMENT THAT IT WAS "IMPOSSIBLE TO IDENTIFY" AND TO DISTRIBUTE RESPONSIBILITY FOR SUCH COSTS TO ORGANIZATION.

C. CUBAN REP (SERRANO) BY PERSISTENCE SUCCEEDED IN HAVING DRAFT REPORT CONTAIN SOME EXPANSION OF HIS VIEWS. WE AND OTHERS FOUND IT IT DIFFICULT TO OPPOSE SINCE IT WAS ARGUED AND SUPPORTED BY CHAIR THAT ALL VIEWS EXPRESSED IN WG COULD BE REFLECTED AT SOME POINT IN REPORT.

D. SECRETARIAT (ZIEHL) THEME THAT TIMELY AND FULL PAYMENT OF CONTRIBUTIONS (CHAPTER F OF INITIAL DRAFT) WOULD ELIMINATE MANY OF CURRENCY PROBLEMS WAS PARTICALLY REMOVED FROM BODY OF REPORT. SOVIETS SUPPORTED BY BULGARIAN, CUABN, VENEZUELAN AND FRENCH DELS SOUGHT ELIMINATION OF ENTIRE CHAPTER WHILE US, UK, KENYAN AND INDIAN DELS ARGUED FOR RETENTION (CHINA, JAPAN, AND GHANA WERE ABSENT AND FRG (SCHMIDT) WAS IN CHAIR). COMPROMISE FORMULA WAS LIMITED OFFICIAL USE

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FINALLY AGREED TO WHEREBY ONLY BRIEF REFERENCE TO SECRETARIAT PRESENTATION WOULD BE MADE UNDER INNOCUOUS CHAPTER HEADING WITH COMMENT THAT THESE VIEWS REFLECT OPINIONS HELD BY SOME MEMBERS. ANNEX WOULD INCLUDE SECRETARIAT VIEWS AND US REP SUGGESTED, WITHOUT OBJECTION FROM OTHERS, THAT VIEWS IF ANNEXED SHOULD BE EXPANDED AND INCLUDE PERTINENT SECTIONS OF WG DOCUMENT A/AC.164/R 18.

E. REFERENCE TO VOLUNTARY CONTRIBUTIONS FROM HOST COUNTRIES

TO MEET ADDED COSTS FROM CURRENCY INSTABILITY WAS DELETED.
F. SCHMIDT OF FRG UNDERCUT APPARENT CONSENSUS THAT FORWARD
EXCHANGE TRANSACTIONS SHOULD NOT BE RULED OUT AS USEFUL
TOOL AVAILABLE TO SECRETARIATS. AS RESULT ALREADY FEEBLE
RECOMMENDATION WAS FURTHER WEAKENED WITH INDICATION THAT THIS
REFLECTED "MAJORITY," "SOME", "SEVERAL" AS APPROPRIATE
THROUGHOUT REPORT WHEREVER REFERENCE WAS MADE TO AGREEMENT
WITHIN WG.

4. AS SOON AS SECOND REVISION IS AVAILABLE, WE WILL POUCH
COPY SOONEST TO DEPARTMENT FOR POSSIBLE FINAL COMMENTS.
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